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No. 95-1593

Supreme Court, U.S.
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In The

Supreme Court of the United States

October Term, 1995

BEEBE BOURNE, d/b/a BOURNE CO.,

Petitioner,

vs.

THE WALT DISNEY COMPANY
and BUENA VISTA HOME VIDEO,

Respondents,

TOWER RECORDS, INC., BARNES & NOBLE BOOKSTORES, INC., BLOCKBUSTER ENTERTAINMENT CORP., RKO WARNER VIDEO, INC. and JOHN DOES 1 THROUGH 100,

Defendants.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

RESPONDENTS' BRIEF IN OPPOSITION

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RESPONDENTS' STATEMENT OF THE QUESTIONS PRESENTED

Respondents The Walt Disney Company and Buena Vista Home Video (collectively, "Disney") respectfully submit that, when the hyperbole is stripped from the Petition of Beebe Bourne, d/b/a Bourne Co. ("Bourne"), the real issues presented are:

1. Did the Court of Appeals err in holding that (a) licenses giving Disney the right to record certain songs in synchronism with any and all of its "motion pictures" were ambiguous as to the scope of that term, and, therefore, (b) the jury was properly allowed to consider extrinsic evidence to decide whether the licenses included videocassettes of Disney's motion pictures?

2. Did the Court of Appeals err in holding that Bourne, as the party claiming that Disney exceeded its rights under licenses from Bourne, had the burden of proving that Disney's conduct was unauthorized?

3. Did the Court of Appeals err in holding that, given the jury's finding that the licenses entitled Disney to record the songs on videocassettes of its motion pictures, the "first sale doctrine" embodied in 17 U.S.C. § 27 of the Copyright Act of 1909 and 17 U.S.C. § 109 of the Copyright Act of 1976, permits Disney to sell its lawfully-made videocassettes?

LIST OF PARTIES AND CORPORATE AFFILIATES

Respondent The Walt Disney Company, a publicly held Delaware corporation, has no parent company and no nonwholly owned direct subsidiaries. Nonwholly owned indirect subsidiaries of The Walt Disney Company are ESPN, Inc.; Worldwide Television News Corporation; ESPN 88 (U.K.); and WD Consumer Products Private Limited (India). The parent company of respondent Buena Vista Home Video is Disney Enterprises, Inc., a subsidiary of The Walt Disney Company. Buena Vista Home Video has no nonwholly owned subsidiaries.

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Disney respectfully opposes Bourne's Petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit.

STATEMENT OF THE CASE

In an attempt to induce this Court to grant certiorari, Bourne has sought to depict this case as one having sweeping ramifications for all holders of any type of rights in music, motion pictures, television, compact discs, computer software, CD-ROM, "and all new media, technologies and means of distribution." Pet. at 2. In other words, according to Bourne, this case involves every aspect of every kind of intellectual property. Nothing could be further from the truth.

In reality, this case is a contract dispute between two parties about the meaning of certain key terms in a handful of agreements drafted sixty years ago. After examining a host of evidence regarding, among other things, the parties' relationship and course of conduct over six decades to determine their intent, the jury returned a verdict in favor of defendants.[1] That judgment was unanimously affirmed by the Court of Appeals, which also rejected a motion for rehearing.

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[1] The jury ruled in favor of defendants by answering two interrogatories declaring that defendants had the right under the agreements to use the music from Disney's motion pictures "Snow White and the Seven Dwarfs" and "Pinocchio" in videocassette format. The jury ruled against defendants on (1) their right to use that music in paid television advertisements and (2) the affirmative defense of estoppel. Neither of these latter two rulings is before this Court.

Factual Background

In 1937, Walt Disney pioneered the field of animation by creating the first full-length animated motion picture, "Snow White and the Seven Dwarfs," followed in 1940 by the classic "Pinocchio." In addition to creating the animation artwork and ground-breaking cinematic techniques, Disney employees created all of the songs written for and used in those motion pictures.

During the 1930s, although Disney was not in the music publishing business, it nevertheless recognized that broad-based publication and dissemination of its songs would help enhance the success and value of its motion pictures. As a result, starting in 1933, Disney gave the copyrights in a number of songs from its animated cartoons, as well as those from "Snow White" and "Pinocchio," to Bourne's predecessor, Irving Berlin, Inc., which was then the best known music publisher in the country. The purpose of the transfer was for Berlin to exploit the music through sales of sheet music and music rolls (popular at the time) and through license to third parties, of whose royalty payments Disney received half.

Disney did not, however, give up its right to use the music it had created, since that music was at the very heart of the motion pictures Disney was producing. Thus, beginning with its first contract with Berlin, a 1933 agreement addressing certain motion picture cartoons, Disney received a license to record and synchronize its songs "in any and all other motion pictures to be produced by [Disney]." As the jury found, Disney's transfer to Bourne of the copyrights to the "Snow White" music in 1937 was subject to the terms of that agreement, and particularly its

provisions licensing Disney to use the songs in all of its motion pictures.

In 1939, Disney again contracted with Berlin, this time to permit Berlin to exploit the music Disney was creating for "Pinocchio." Once again, the agreement gave Disney a license to record and synchronize the musical compositions and lyrics with "any and all of the motion pictures which may be made by [Disney]."

With these rights in hand, Disney proceeded to utilize and promote the songs (including the classic *When You Wish Upon a Star*) literally tens of thousands of times during the ensuing decades, all without complaint from Bourne. Thus, Disney used the music with its films in all media as they developed, starting in the 1930s with short-subject motion pictures for sale and rental for home viewing; in the 1950s, when Disney became a fixture on television with its famous weekly series that spanned four decades; and in the early 1980s, when Disney began to release its classic motion pictures on videocassette. All the while, as Disney used the songs from "Snow White" and "Pinocchio" in an ever-expanding range of new formats, Bourne (and its principal, who had negotiated the agreements) stood silent, never asserting that Disney's rights were somehow circumscribed as Bourne now claims.[2]

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[2] Saul Bornstein, who founded Bourne after he and Irving Berlin split, negotiated the agreements in issue. During his lifetime, neither he nor the company ever claimed (as Bourne does now) that Disney could not use the music with its motion pictures in any format. It was not until 1981, twenty years after Bornstein's death, that Bourne first questioned Disney's use of the music on television. Even then, when Disney flatly rejected the assertion, Bourne took no action for ten more years.

Although Bourne never sued while the parties who negotiated the agreements were alive, in 1991 Bourne filed a lawsuit claiming that Disney's uses of the songs on videocassette, as well as in paid television advertising, infringed Bourne's copyrights.[3] Bourne contended that the license agreements were unambiguous as a matter of law, and could not be interpreted to permit Disney to record the songs on videocassette copies of its motion pictures. In particular, Bourne argued that the agreements could not encompass videocassette rights because videocassettes did not exist in the 1930s.

In response, Disney asserted that the license provisions broadly permitting it to use the songs with any and all of its "motion pictures" were ambiguous, and that extrinsic evidence was needed to enable the jury to determine the scope of Disney's rights. Disney emphasized that the issue for the jury was whether the words in the license agreements covered the new use. The trial court agreed, and let the jury decide whether, based on all the facts, the agreements permitted the uses in issue.

Since Bourne had waited half a century to file suit, the witnesses who had negotiated the 1930s agreements had all died. Nonetheless, at trial, Disney and Bourne offered extensive documentary evidence and testimony regarding the parties' course of dealing over the years, as well as expert testimony regarding the meaning and understanding of the

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[3] In reality, at trial Bourne claimed that Disney could *only* use the music in the full-length motion pictures when shown in theaters. So, Bourne contended that Disney could not use the music in previews for the motion pictures, on television, in short subjects, etc. Yet this was precisely what Disney had done for decades, as Bourne silently watched.

term "motion pictures," especially in the entertainment industry during the 1930s.

After a three-week trial, the jury decided that the agreements authorized Disney to incorporate the songs in videocassettes of its motion pictures, and that such uses did not infringe Bourne's copyrights. On a separate claim, the jury found Disney had infringed Bourne's copyrights by using the songs in certain television advertising. The parties stipulated to damages on that claim, which is not at issue in Bourne's Petition.

The Court of Appeals for the Second Circuit affirmed the lower court's ruling and rejected Bourne's argument that the "first sale doctrine" required Disney to prove it had a separate right to sell videocassettes it was legally entitled to make. The Court of Appeals also rejected Disney's cross-appeal. Bourne now petitions this Court to review the decision of the Court of Appeals.

REASONS THE PETITION SHOULD BE DENIED

The Petition should be denied because, despite all the efforts to create a contrary impression, the plain truth is that the ruling below involves neither a conflict among the Circuits nor an important issue of controlling law. To the contrary, the Second Circuit's decision affirmed a factual finding by a jury, after an analysis consistent with the teachings of this Court and the other relevant precedents.

1. The Second Circuit's Ruling That the Scope of the Agreements Was an Issue for the Jury Was Correct and Presents No Novel Issue of Law

According to Bourne, the term "motion pictures" means, and could mean, only one thing -- celluloid film. Pet. at 16. Bourne therefore asserts that the Second Circuit's "holding . . . that [the] licenses [in this case] . . . included the right to make videocassette recordings" somehow "destroys a judicial template" established by this Court and many courts of appeals. *Id.* at 6, 13. Despite Bourne's dramatic claim, the fact is that the Second Circuit's ruling is neither novel nor far-reaching, and the authorities on which Bourne relies simply do not support its arguments.

A. The Second Circuit Did Not Decide the Scope of the License Agreements

Bourne fundamentally misstates the Court of Appeals' holding. The Second Circuit absolutely did not rule that the 1930s agreements conferred videocassette rights. To the contrary, the court first carefully examined the language of the agreements, and particularly the term "motion pictures' (which was not defined in the agreements), to determine whether the term, when viewed with the other provisions of the contracts, was unambiguous or somehow limited. After doing so, the court flatly declined to declare, as a matter of law, what the agreements meant. As the court put it,

> [W]e cannot agree [with Bourne] that the term "motion picture" has a sufficiently definite and precise meaning as to allow for interpretation as a matter of law.

Pet. App. 19a.

The Court of Appeals then addressed whether the grant of motion picture rights was broad enough potentially to encompass motion pictures on videocassette. Pet. App. 20a (citing *Bloom v. Hearst Entertainment, Inc.*, 33 F.3d 518, 525 (5th Cir. 1994)). The court noted that Bourne had submitted facts which it contended supported limiting the meaning of "motion pictures" to celluloid film, and that Disney had offered evidence to the contrary. Given the facts in the record that supported Disney's position (including evidence that during the 1930s, home viewing of motion pictures already existed and non-celluloid methods of storing motion pictures were already under development, as well as evidence that Congress did not intend the Copyright Act's use of the term "motion picture" to be limited to celluloid film, Pet. App. 19a-20a), the court held that there was sufficient evidence to support the jury's conclusion that videocassette rights were granted. The Second Circuit emphasized that the decision was made by the jury, not by any court:

> [W]e believe that the district court properly submitted to the jury the question of whether the 1933 Shorts Agreement and the 1939 Pinocchio Agreement provided Disney with the right to synchronize the Compositions to videocassettes containing its motion pictures.

Pet. App. 20a-21a. Thus, the jury alone held that the 1930s agreements licensed Disney to record the songs on videocassette.

B. The Second Circuit's Analysis Is Entirely Consistent with That Applied by Other Courts

To support its Petition, Bourne argues that the Second Circuit's ruling "creates widespread confusion by establishing a rule of construction contrary to that of other Circuits and prior Second Circuit precedent with regard to the copyright rights to new technologies." Pet. at 6. Bourne claims that other courts have decreed that a licensee can obtain rights to new technology *only* if the license agreement expressly so provides. Unfortunately for Bourne, the cases do not support any such rule.

Bourne first cites this Court's decision in *Manners v. Morosco*, 252 U.S. 317, 325-26 (1920), arguing that the case held that where a license does not expressly state that the licensee holds rights to future technology, those rights necessarily belong to the licensor. Pet. at 13. But the case held no such thing.

The question in *Manners* was whether an agreement granting "the sole and exclusive license and liberty to produce, perform and represent the said play [*Peg O' My Heart*] in the United States of America and the Dominion of Canada" also conveyed silent movie rights in the play. The Court analyzed the agreement's terms to decide whether the scope of the license could be determined as a matter of law. The Court stated:

> It may be assumed that those words might carry the right to represent the play in moving pictures *if the other terms pointed that way, but to our mind they are inconsistent with any such intent*.

252 U.S. at 326 (emphasis added). Based on a litany of contractual provisions that were inconsistent with a grant of film rights,[4] the Court held that "a representation by spoken drama alone is provided for." *Id.* Thus, *Manners* does not create any broad presumption against the transfer of rights in future technologies. Quite the opposite: the case instructs that each dispute is unique, to be determined on its specific facts.

Manners and the other cases cited by Bourne do, however, apply a common mode of analysis -- which is fully consistent with the Second Circuit's approach here. In each case, the court first addresses whether, in light of the contractual language at issue, any ambiguity exists. If the contract is ambiguous, it must then be determined whether the language of the agreement is broad enough to encompass the particular new use. In *Manners*, the second step of the analysis was simply unnecessary because the agreement was unambiguous; the terms were uniformly inconsistent with a transfer of silent movie rights.

Each of the other authorities relied upon by Bourne likewise focused upon the specific contractual language at issue. In *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150 (2d Cir.), *cert. denied*, 393 U.S. 826 (1968), the Second Circuit held that an assignment of "the motion picture rights

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[4] The Court based its conclusion on the facts that, under the license, the play was to be performed a specified number of times, in particular theatrical seasons; the contract's royalty scheme was adapted only to the mode of stage presentation; the play was to be performed only in a particular category of theaters, by particular types of companies, with the author's wife in the title role; no alterations, eliminations or additions were to be made without the author's consent; and rehearsals and productions of the play were to be under the author's direction. *Id.*

throughout the world" was broad enough to include television, notwithstanding that television was not available in 1930, when the agreement was signed. In *Bartsch*, as here, the contract contained a broad grant that was not limited by other terms of the agreement. Thus, the *Bartsch* court distinguished *Manners* as a case "in which an all encompassing grant found in one provision must be limited by the context created by other terms of the agreement indicating that the use of the copyrighted material in only one medium was contemplated." 391 F.2d at 154.

According to *Bartsch*, where, as here, a grant of motion picture rights is not expressly limited by other terms of a license agreement, the pivotal question becomes whether the grant is sufficiently broad to incorporate future uses "'which may reasonably be said to fall within the medium.'" *Id.* at 155 (citing Professor Nimmer). Although the Second Circuit did not cite *Bartsch* by name, its analysis -- considering whether the 1930s agreements were reasonably broad enough that the jury could have found they encompassed videocassettes within the term "motion pictures" -- derives almost word-for-word from *Bartsch*. *Compare* Pet. App. 20a *with* 391 F.2d at 155.[5]

Bourne next seeks to rely on the Ninth Circuit's decision in *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851 (9th Cir. 1988). The court there held that an agreement conferring the limited right to exhibit a film "by means of television" did not include the right to distribute

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[5] Even if the Second Circuit's decision in the present case were inconsistent with its prior ruling in *Bartsch* -- which it plainly is not -- that would not be a basis for a grant of certiorari. *See* Sup. Ct. R. 10(a).

videocassettes of the film -- a result perfectly consistent with the facts and analysis in *Bartsch* and in this case. Bourne also fails to mention a crucial distinguishing fact between *Cohen* and this case. There, the license expressly "reserved to the grantor 'all rights and uses in and to said musical composition, except those herein granted to the licensee . . . .'" *Id.* at 854. According to the Ninth Circuit, it was this specific reservation that "operates to preclude uses not then known to, or contemplated by the parties." *Id.* By contrast, the agreements in this case did not contain any provision reserving to Bourne all rights not expressly conveyed to Disney.

Thus, *Cohen* -- like *Manners* and *Bartsch* -- stands for, indeed highlights, the proposition that each case must be determined by examining the specific contractual language at issue. (In fact, the *Cohen* court declined to follow certain other decisions because they "involve[d] licenses that contain language markedly different from the language in the license at hand." *Id.* at 855.) The Second Circuit's analysis here and the analysis in *Cohen* are entirely consistent; it is simply the contracts that were different. Moreover, *Cohen* flatly contradicts Bourne's view that Disney could obtain rights to future technology only by an express grant of such rights. To the contrary, it supports the Second Circuit's holding that Bourne, as the grantor, bore the burden of expressly retaining any rights it did not want included in its broad grant.

Nor does Bourne receive any comfort from *Rey v. Lafferty*, 990 F.2d 1379 (1st Cir.), *cert. denied*, ___ U.S. ___, 114 S. Ct. 94 (1993), where the contractual grant of rights was specifically limited to "television viewing." The First Circuit emphasized that where contracting parties'

intentions regarding new technologies cannot be determined from contractual language, the "preferred" approach is to "presume that at least the possibility of nonspecific 'new uses' was foreseeable by the contracting parties at the time the license agreement was drafted." 990 F.2d at 1388 (citing *Bartsch*). The court further observed that it might be appropriate to reserve to the grantor rights not expressly conveyed only if "a particular 'new use' was *completely unforeseeable*." *Id.* (emphasis added). As the record recited by the Second Circuit shows, that is patently not the case here. The last thing that could be said is that alternative means of storing motion pictures and showing them in the home were "completely unforeseeable;" indeed, the Second Circuit cited specific evidence in the record to the contrary. Pet. App. 20a.

Finally, Bourne's reliance on *Bloom v. Hearst Entertainment, Inc.*, 33 F.3d 518 (5th Cir. 1994), is misplaced given that the court in *Bloom* expressly adopted the Second Circuit's analysis in *Bartsch*. *See* 33 F.3d at 525. In so doing, the *Bloom* court held that the term "motion-picture" was ambiguous as a matter of law, *id.* at 522, and further ruled that "a general grant of motion picture rights is potentially broad enough to contemplate the later use of video as a means of distribution," *id.* at 525.[6]

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[6] Bourne argues that the Second Circuit's citation of *Bloom* is erroneous, because -- according to Bourne -- videocassettes were plainly foreseeable in 1988, when the license at issue in *Bloom* was signed, but were not foreseeable in the 1930s. Pet. at 17-18. The Second Circuit did not rule that "motion picture" rights negotiated in the 1930s include videocassette technology *as a matter of law*. Rather, it cited specific evidence supporting the *jury's* conclusion that videocassette rights were encompassed in the grant in this case. Pet. App. 19a-20a.

In sum, Bourne can identify no error of law, because the Second Circuit made none. The court's analysis is fully consistent with the approach of other Circuits; Petitioner's unhappiness stems purely from the fact that it failed to convince the jury to accept its interpretation of the agreements. That unhappiness does not, we submit, justify certiorari review.

2. The Circuits Agree That Where Only the Scope of an Existing License Is at Issue, the Party Claiming Infringement Bears the Burden of Proof

Bourne next argues half-heartedly that the Second Circuit's decision impermissibly shifts the burden to the copyright holder to prove the absence of a grant of future technology. This argument, too, finds no support in the authorities.

As the Court of Appeals correctly observed (Pet. App. 21a), Bourne relies on cases where the issue was whether the alleged infringer had any license at all. *See, e.g., United States v. Larracuente*, 952 F.2d 672, 673-74 (2d Cir. 1992); *CMS Software Design Sys. v. Info Designs, Inc.*, 785 F.2d 1246, 1247 (5th Cir. 1986). That was not the issue here because the existence of the license agreements was never in doubt. The question was only whether Disney's use of the songs on videocassette fell within the licenses -- an issue on which Bourne plainly had the burden of proof.[7]

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[7] Bourne argues that "the existence and scope of the license are coextensive because the technology at issue was not invented at the time of the grant." Pet. at 19. But the license agreements plainly exist and the only issue in the case was their scope.

The lower courts' rulings that Bourne had the burden of proving that Disney's use was unauthorized by the existing licenses is supported by a unanimous body of authority. *See* 17 U.S.C. § 501(a); *Laureyssens v. Idea Group, Inc.*, 964 F.2d 131, 139 (2d Cir. 1992); *United States v. Cohen*, 946 F.2d 430, 434 (6th Cir. 1991); *Folio Impressions, Inc. v. Byer Cal.*, 937 F.2d 759, 763 (2d Cir. 1991); *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1085 (9th Cir. 1989).

Petitioner concludes by claiming that the Second Circuit's holding is wrong because, it argues, there is a general rule that "all rights not expressly granted are reserved by the copyright owner." Pet. at 19. However, putting aside whether any such rule exists, the plain fact is that Bourne misperceives the court's ruling in any event. The court in this case simply concluded that, because the terms of the agreements were reasonably broad enough to cover the new use, Bourne had the burden of proving that there was an exception to the broad grant. That ruling is entirely consistent with the authorities on which Bourne seeks to rely. *See Bartsch*, 391 F.2d at 155; *Rey*, 990 F.2d at 1388; *Cohen*, 845 F.2d at 854.

3. Under the First Sale Doctrine, Disney Was Entitled to Sell Its Lawfully-Made Videocassettes

Bourne continues to argue that despite the fact that Disney has the right to make videocassettes of motion pictures incorporating the songs, it does not have the right to sell or distribute those videocassettes. Bourne contends that the Second Circuit's rejection of that argument creates a conflict with other Circuits, warranting review by this Court.

Once again, Bourne is attempting to construct a conflict where none exists.

The 1930s agreements are governed by the formulation of the "first sale" doctrine in Section 27 of the 1909 Copyright Act:

> The copyright is distinct from the property in the material object copyrighted, and the sale or conveyance . . . of the material object shall not of itself constitute a transfer of the copyright . . . ; but nothing in this title shall be deemed to forbid, prevent, or restrict *the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.*

17 U.S.C. § 27 (1909 Act) (emphasis added).[8]

In other words, because Disney is lawfully entitled to synchronize the songs from "Snow White" and "Pinocchio" with its motion pictures in videocassette format (as the jury found), Disney is also entitled, under the first sale doctrine, to distribute copies of those videocassettes, whether by sale or rental. *See Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908); *Sebastian Int'l, Inc. v. Consumer Contracts (PTY) Ltd.*, 847 F.2d 1093, 1096 (3d Cir. 1988); *Blazon, Inc. v. DeLuxe Game Corp.*, 268 F. Supp. 416, 433-34

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[8] The analogous provision in the Copyright Act of 1976 appears at 17 U.S.C. § 109, which provides that, "[n]otwithstanding the [copyright owner's exclusive right to distribute copies granted by 17 U.S.C. § 106(3)], the owner of a particular copy or phonorecord lawfully made . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."

(S.D.N.Y. 1965); *Royal v. Radio Corp. of America*, 107 U.S.P.Q. 173 (S.D.N.Y. 1955); 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*, § 10.10[C] (1993). This conclusion is particularly appropriate given that Disney, not Bourne, unquestionably owns both the videocassettes and the movies contained within those videocassettes.

Faced with this hornbook law, Bourne proceeds to take considerable liberties with the authorities. For example, Bourne cites this Court's decision in *Bobbs-Merrill* for the proposition that "the copyright holder must first dispose of physical possession of a particular copy by transfer of ownership in order for the first sale doctrine to apply." Pet. at 8. That decision -- which Bourne did not even think relevant enough to mention to the Second Circuit -- does not begin to stand for the proposition Bourne claims.

The specific issue in *Bobbs-Merrill* was whether the statutory right to vend gives a copyright owner the right, after the sale of the copyrighted text, to fix the price of future retail sales of the book. *See* 210 U.S. at 350. The Court simply held that, absent a contractual restriction on the terms of re-sale, the first sale divested the copyright holder of any right to control subsequent sales. *Id.* That decision established the analytical framework which courts -- including the Second Circuit in the present case -- have applied consistently to the particular circumstances presented.

The cases cited by Bourne demonstrate that the first sale doctrine was correctly applied in the present case. Thus, for example, in *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 851 (2d Cir. 1963), the Second Circuit identified the issue as

> whether an unpaid manufacturer of copyrighted goods, which are alleged to be defective by the copyright proprietor . . . may sell them in satisfaction of his claim for the contract price without infringing the "exclusive right" of the proprietor to "publish . . . and vend the copyrighted work . . . ."

315 F.2d at 849. The court answered that question by holding that lawful *possession* of someone else's property (as opposed to ownership of the property) did not give one the right to sell it. In other words, under the specific contractual relationship in that case, the parties never contemplated that the defendant could sell the copyrighted materials. That is totally different from here, where Disney plainly owned the videocassettes and the right to dispose of them.

In *Hampton v. Paramount Pictures Corp.*, 279 F.2d 100, 103 (9th Cir.), *cert. denied*, 364 U.S. 882 (1960), Paramount licensed Kodascope to make reproductions of Paramount's silent movies for "non-theatrical exhibitions" "and to license the use thereof," but Paramount retained ownership. Despite this, Kodascope proceeded to sell copies of the films to Hampton, who showed them theatrically. On appeal, the Ninth Circuit rejected the claim that Paramount had given up the right to control its movies, pointing out that under the express language of the license:

> [T]he things Kodascope was licensed to do were to make reproductions of the photoplays "and to license the use thereof * * *," thereby precluding a construction that Paramount gave Kodascope the right to sell such reproductions.

279 F.2d at 103. In other words, the contract could not be construed to permit Kodascope to *sell* its lawfully-made copies, because Paramount had expressly limited Kodascope to only *license* those copies.

Similarly, in *United States v. Wise*, 550 F.2d 1180 (9th Cir.), *cert. denied*, 434 U.S. 929 (1977), where the defendant claimed that Universal had made a "first sale," the court rejected that claim as inconsistent with the terms of the license agreements. As the court noted, those agreements "all purported to transfer only limited rights for the exhibition or distribution of the films for a limited purpose and for a limited period of time"; "[t]he agreements reserved title to the film prints in Universal, and required their return to Universal following the expiration of the contract term"; and most of the contracts "prohibited the licensee or any other party from copying or duplicating any film prints." *Id.* at 1190. Based on these facts, which are markedly different from those in the present case, the Ninth Circuit concluded that there was no "first sale," and the defendant had no right to sell Universal's motion pictures. *Id.*[9]

As the cases cited above establish, the courts will not find a "first sale" when specific contractual terms and the parties' conduct clearly establish that the defendant had no

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[9] Bourne also relies on several cases where the plaintiff copyright holder concededly had no right to restrict the defendant's distribution of the copyrighted work, but instead attacked the defendant's public performance of the work. *See, e.g., Red Baron-Franklin Park, Inc. v. Taito Corp.*, 883 F.2d 275, 280 (4th Cir. 1989), *cert. denied*, 493 U.S. 1058 (1990); *Columbia Pictures Indus. v. Redd Horne, Inc.*, 749 F.2d 154, 159-60 (3d Cir. 1984). Those cases are plainly irrelevant here, where Bourne concedes that Disney has the right of public performance but challenges Disney's right to distribute copies.

right to sell copies of the copyrighted work. Similarly, the cases teach that it would be equally wrong to find that a "first sale" had *not* occurred where, as here, the copyright holder gave the licensee a very broad right to make copies and imposed no restrictions prohibiting the licensee from selling those copies. The Second Circuit's decision affirming the jury's verdict that Bourne "g[a]ve Disney the right to use" the music on videocassette simply adopted that logic. To argue otherwise is to claim that Disney would have only the right to make the videocassettes -- which it would then be compelled to store and hold forever. As the court observed, that would make no sense. Pet. App. 26a.[10]

Given that Bourne's argument is totally at odds with the jury's verdict, Bourne does the only thing it can -- it ignores the jury's findings completely. Thus, Bourne's "first sale" argument relies on the proposition that the 1930s agreements gave Disney the rights to record and publicly perform the songs only "in one medium (public theatrical film exhibition)." Pet. at 2; *see id.* at 11.[11] However, to

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[10] Also, as Professor Nimmer has stated, "in order to permit the full enjoyment of a right expressly granted there is a necessary implication that certain collateral rights have also been granted." 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*, § 10.10[C] (1993) (citing *Royal v. Radio Corp. of America*, 107 U.S.P.Q. 173 (S.D.N.Y. 1955)).

[11] Bourne's argument that the agreements conveyed a license to record the songs only on celluloid film motion pictures to be exhibited in theaters is contradicted by the express language of the agreements. For example, the 1939 "Pinocchio" agreement gave Disney

(continued...)

make that claim, Bourne must pretend the jury never found that Bourne's broad grant of the right to record the songs in "motion pictures" included the right to put them on videocassettes. But the jury did make that finding, and that, we submit, is the fatal flaw in Bourne's argument.[12]

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[11](...continued)

> the non-exclusive right to mechanically and/or electrically record the said musical compositions . . . in synchronism with any and all of the motion pictures which may be made by [Disney] and the right to export such recordings to all of the countries of the world, *and* the right to give public performances of such recordings in connection with the exhibition of the motion pictures with which said recordings were synchronized.

Pet. App. 99a (emphasis added). Thus, the right of public exhibition is expressly separate and distinct from the right to record.

[12] The Second Circuit's decision finds further support from *Platt & Munk*. As that case held, the possessor of a lawfully-made copy is permitted to resell that copy if "there has been such a disposition of the article that it may fairly be said that the patentee [or copyright proprietor] has received his reward for the use of the article." 315 F.2d at 854 (quoting *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942)). Since Disney, not Bourne, created the songs; Disney, not Bourne, turned the songs into classics that will survive into the next century; and, because of Disney's efforts, Bourne itself has received and continues to earn substantial revenues from the songs, Bourne has unquestionably already "received [its] reward for the use of the article." *See* Pet. App. 25a-26a.

4. Bourne's Claim That Review Is Needed to Protect the Public Interest Is Baseless

Bourne concludes with two sweeping, desperate "public policy" pronouncements: first, the Second Circuit's decision throws thousands of motion picture licenses into question by disrupting settled federal law; and second, if this Court does not grant review, "the original authors" and their heirs will be deprived of "the benefits of copyright ownership and the fruits of their labors, to the detriment of the constitutional purpose of furthering the progress of the arts and sciences." Pet. at 20.[13] Bourne's professed concerns are unfounded.[14]

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[13] Disney vigorously disputes Bourne's contention, Pet. at 1, that the constitutional provision underlying the copyright and patent laws is implicated by this proceeding.

[14] These arguments were also advocated below by the National Music Publishers' Association ("NMPA"), a trade association, and by the heirs of the person who wrote the music for the songs in "Pinocchio" (collectively, "Adams"). NMPA and Adams both filed *amici curiae* briefs and both intend to seek leave to file similar briefs in this Court. Disney informed Adams and NMPA that it would consent to their filings if they would only provide copies of their briefs so that Disney could incorporate its response in this opposition. Adams agreed to do so but failed; NMPA refused. In any event, assuming the arguments are the same as those made below, these *amici* will not bring to the attention of the Court any relevant matter not already covered by the parties. *See* Sup. Ct. R. 37.1.

Unquestionably, this case is important to the parties. But the Second Circuit's decision will have no discernible effect on the rights and relationships of others, unless they happen to have written songs for their motion pictures and entered into contracts in precisely the manner done by the parties here. That is highly unlikely, to say the least.

Bourne and the NMPA urge that the decision below will somehow affect the licensing efforts and practices of music publishers generally, particularly with regard to new technologies and the "information superhighway." *See* Pet. at 21-22.[15] Thus, they would have this Court believe that every song in which any music publisher has an interest involves the same unique facts, circumstances, contractual arrangement, and sixty-year course of conduct present in this case. Obviously, that is not true. The determination of each of the key issues in this case -- the ambiguous nature of the agreements and the right to distribute lawfully-made videocassettes -- was based upon the precise facts presented. The thousands of licensors and licensees described by Bourne need not lose a moment's sleep; their rights -- which are determined by the specific language of their contracts, and the unique facts of their own contractual relationships -- are undisturbed by the Second Circuit's ruling in this case.

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[15] Indeed, Bourne's Petition quotes at length from NMPA's *amicus curiae* brief in the Second Circuit. *See* Pet. at 21-22.

Finally, pulling out all the stops, Bourne claims that it is seeking to protect the original authors of the songs and their heirs, such as Adams. But Bourne's and Adams' argument has no merit. They seem to forget that *Disney* (through its employees) is the original author of the songs. The songs at issue were classic works for hire. Disney employees created those songs as part of their job, and the copyrights (prior to their transfer to Berlin) were unquestionably owned by Disney, not the employees. Although it had no legal obligation to do so, Disney has given the songwriters a percentage of the revenues from the songs, which their heirs continue to receive. Because Disney is the original author, and because the jury found that the parties intended Disney to have the right to use its songs in all of its motion pictures, regardless of the particular format, the original authors' rights are fully protected.

Conclusion

When all of the rhetoric is stripped away, Bourne's Petition really boils down to a single proposition: that the trial court erred in allowing the jury to decide whether the license agreements permitted Disney to record the songs on videocassette. Stated somewhat differently, Bourne is really claiming that the contracts in this case could mean only one thing -- what Bourne asserts -- and nothing else. The courts below correctly rejected that contention and, we submit, the Petition for a writ of certiorari to review those decisions should likewise be rejected.

Respectfully submitted,

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